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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT AND TUBAC WATER DISTRICT.

DOCKET NO. W-01303A-08-0227

Arizona Corporation Commission
DOCKETED

MAR 24 2009

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-08-0227

**NOTICE OF FILING
WITNESS SUMMARIES**

Staff of the Arizona Corporation Commission ("Staff") hereby provides the witness summaries for Elijah O. Abinah, Gerald Becker, Gary T. McMurry, and Dorothy Hains.

RESPECTFULLY SUBMITTED this 24th day of March, 2009.

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6 Copy of the foregoing mailed this
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SUMMARY OF TESTIMONY OF ELIJAH ABINAH

The purpose of the testimony of Elijah Abinah is to respond to the Chairman Mayes letter docketed on November 12, 2008. In her letter, Chairman Mayes requested that the parties to this docket provide the Commission as part of their testimony, “an analysis addressing the predicted impact of statewide and select consolidation of Arizona-American’s water system”. Mr. Abinah also responds to testimony by Arizona-American president Paul Townsley regarding a proposed systems benefit charge, a surcharge across all Company districts that would be used to pay down investment levels in higher level districts over time. . Staff believes the proposal is premature. A detailed analysis needs to be performed and other mechanisms need to be examined. Without adequate discussion and analysis, Staff will not support such a proposal. Staff believes it would be more appropriate to consider and examine the issue in the Company’s next rate case.

SUMMARY OF TESTIMONY OF GERALD BECKER

The Testimony of Staff witness Gerald W. Becker addresses the following issues:

Revenue Requirement – The following table presents the test year revenue, Staff's recommended revenue, and the increase/(decrease) in dollars and percent.

| | Staff As Adjust Test Year | Staff Recommended | Increase/Decrease in Dollars | Increase/Decrease in Percent |
|---------------------|------------------------------|----------------------|---------------------------------|---------------------------------|
| AF Water | \$ 18,818,613 | \$ 21,377,068 | \$ 2,558,455 | 13.6% |
| Havasu | \$ 1,026,587 | \$ 1,408,318 | \$ 381,731 | 37.2% |
| Mohave Water | \$ 5,113,631 | \$ 5,345,121 | \$ 231,490 | 4.5% |
| Mohave Wastewater | \$ 796,161 | \$ 722,274 | \$ (73,887) | -9.3% |
| Paradise Valley | \$ 7,848,732 | \$ 9,470,254 | \$ 1,621,522 | 20.7% |
| Sun City West Water | \$ 5,701,431 | \$ 9,153,703 | \$ 3,452,272 | 60.6% |
| Tubac | \$ 426,900 | \$ 626,781 | \$ 216,734 | 50.8% |
| Overall | \$ 39,732,055 | \$ 48,120,372 | \$ 8,388,317 | 21.1% |

Rate Base – The following table presents the rate base as initially proposed in the Company's application, Staff's recommendation and the amount of Staff's adjustment in dollars and percent.

| | Company Proposed (Per Application) | Staff Recommend ed | Staff Adjustment | Increase/Decrease in Percent |
|------------------------|--|--------------------------|---------------------|---------------------------------|
| AF Water | \$ 96,976,395 | \$ 59,516,712 | \$(37,459,683) | -38.6% |
| Havasu | \$ 4,221,474 | \$ 3,791,385 | \$(430,089) | -10.2% |
| Mohave Water | \$ 12,041,310 | \$ 8,909,632 | \$(3,131,678) | -26.0% |
| Mohave Wastewater | \$ 4,740,149 | \$ 647,244 | \$(4,092,905) | -86.3% |
| Paradise Valley | \$ 40,864,986 | \$ 38,855,656 | \$(2,009,330) | -4.9% |
| Sun City West Water | \$ 37,901,086 | \$ 37,239,151 | \$(661,935) | -1.7% |
| Tubac | \$ 1,527,454 | \$ 1,428,225 | \$(99,229) | -6.5% |
| Overall | \$ 198,272,854 | \$ 150,284,760 | \$(47,988,094) | -24.2% |

Test Year Operating Income – Staff’s adjusted test year operating income is discussed in the testimony of Gary McMurry and is shown for each system on the attached Surrebuttal Schedule GTM-11.

Response to the Rebuttal Testimony of Mr. Thomas M. Broderick –

1. Imputed Regulatory Advances in Aid of Construction (“IR AIAC”) – Staff disagrees with the Company’s request for post test year amortization of IR AIAC. Staff maintains that the amortization of IR AIAC should coincide with the end of the test year.

Staff response to Rebuttal Testimony of Ms. Linda J. Gutowski –

Agua Fria Water District:

1. Post Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$1,189,832 for the Rancho Cabrillo Subdivision.
2. Post Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$1,794,294 for the Sierra Montana 2.2 Mg Reservoir. The \$1,794,294 is the updated amount of the \$2,046,765 recommended for disallowance in Staff’s direct testimony.
3. Post Test Year Plant (“CWIP”) – Staff disagrees with the Company’s rebuttal position to include in rate base \$25,000,000 for the White Tanks Plant.
4. Accumulated Depreciation – Staff agrees with the Company’s rebuttal position that the sign on the adjustment of \$7,532 to Accumulated Depreciation in Staff’s Direct Testimony should be reversed.
5. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Havasu Water District:

1. Test Year Plant – Staff accepts the Company’s newly filed position to transfer the plant, accumulated depreciation and related AIAC/CIAC for the Gateway plant from Havasu Water to Mohave Water.
2. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Mohave Water District:

1. Post Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$643,127 for post test year plant. This is the update amount related to Staff’s recommended adjustment of \$610,731 in Staff’s Direct Testimony.
2. Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$1,539,768 for three projects lacking invoices.
3. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Mohave Wastewater District:

1. Post Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$3,932,808 for post test year plant for costs associated with the upgrade and expansion of the Wishing Well Treatment Plant.
2. Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$306,362 for three projects lacking invoices.
3. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Paradise Valley Water District:

1. Accumulated Depreciation – Staff agrees with the Company’s rebuttal position to increase accumulated depreciation by \$100,554 to correct a math error in its filing.
2. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Sun City West Water District:

1. Test Year Plant – The Company states that Staff’s adjustment of \$70,000 to increase the balance in both the plant and accumulated depreciation accounts should be \$76,672. Staff accepts the additional \$6,672 for both, with no net impact on rate base.

2. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Tubac Water District:

1. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Staff response to Rebuttal Testimony of Ms. Sheryl L. Hubbard –

1. Cash Working Capital – The Company states that there are formulaic errors in Staff’s calculation of cash working capital along with incorrect amounts for taxes in some districts. The Company also alleges Staff inappropriately used the expense lags of Mohave Water for the Mohave Wastewater calculation. Staff has corrected its formulaic errors and updated the tax amounts used to reflect the taxes on proposed revenues as opposed to test year revenues. However, Staff continues to apply the same expense lags for all districts.
2. White Tanks – The Company states that Staff’s recommendation to excluded \$25 million of CWIP from rate base will create dire consequences for the Company and that the Company may have to consider mothballing or selling the facility.

Arsenic Treatment Plant – Excess Capacity –

1. Staff has identified and adjusted for excess capacity in the Agua Fria, Havasu and Sun City West Water systems.

Tubac Arsenic Options –

1. The Company has described two options to remediate arsenic in its Tubac system. Staff has performed a financial analysis for informational purposes.

SUMMARY OF TESTIMONY OF GARY McMURRY

Mr. McMurry testifies as follows:

DIRECT TESTIMONY

Arizona-American Water Company is an Arizona for-profit Class A public service corporation providing water and wastewater service to approximately 130,000 customers located throughout Arizona. The present application is for approximately 76,000 of the Company's 130,000 customers. On May 2, 2008, Arizona-American Water Company ("Arizona-American" or "Company") filed a general rate application. The application shows that Arizona-American reported a net loss of \$4.6 million for the test year ended December 31, 2007 for the seven Districts in its application. Arizona-American requests a combined \$19,961,632 revenue increase to provide a 50.2 percent increase in revenue.

Agua Fria Water proposes test year total operating expenses of \$16,217,325. Staff recommends four operating expense adjustments resulting in a net reduction of \$239,397.

Havasu Water proposes test year total operating expenses of \$1,158,005. Staff recommends three operating adjustments resulting in a net reduction of \$160,293.

Mohave Water proposes test year total operating expenses of \$5,076,491. Staff recommends three operating adjustments resulting in a net reduction of \$488,760.

Mohave Wastewater proposes test year total operating expenses of \$780,542. Staff recommends two operating adjustments resulting in a net increase of \$47,045.

Paradise Valley Water proposes test year total operating expenses of \$6,296,235. Staff recommends four operating adjustments resulting in a net reduction of \$311,720.

Sun City West Water proposes test year total operating expenses of \$5,114,006. Staff recommends three operating adjustments resulting in a net reduction of \$80,308.

Tubac Water proposes test year total operating expenses of \$465,453. Staff recommends three operating adjustments resulting in a net increase of \$11,148.

The testimony of Mr. Gary McMurry presents Staff's recommendation in the areas of operating income and expenses. Staff's recommendations include as many as four operating expense adjustments (tank maintenance accrual, depreciation expense, chemical expenses, property tax expense, and income tax expense) per water system.

SURREBUTTAL TESTIMONY

Test Year Operating Income – The adjusted test year operating income for Staff and the Company by system are as follows:

| <u>System</u> | <u>Company</u> | <u>Staff</u> |
|-----------------|----------------|--------------|
| Agua Fria | \$2,601,288 | \$2,819,140 |
| Havasu | (\$ 131,419) | \$ 31,245 |
| Mohave Water | \$ 37,140 | \$ 513,875 |
| Mohave WW | \$ 15,619 | \$ 115,161 |
| Paradise Valley | \$1,552,497 | \$1,867,671 |
| Sun City West | \$ 587,425 | \$ 637,152 |
| Tubac | (\$ 38,553) | (\$ 47,649) |
| Total | \$4,624, 069 | \$5,936,595 |

The primary differences in test year operating income for between Staff and the Company relate to Chemical, Tank Maintenance, and Depreciation Expenses. Staff agrees with the Company's test year revenues.

Response to the Rebuttal Testimony of Mr. G. Troy Day:

1. Tank Maintenance – Staff continues to recommend normalization of the past three years' recorded expenses. The Company's proposal to recover estimated tank maintenance costs is not adequately supported, includes future inflationary costs, and among other concerns, assumes that its costs are the same as the unauthorized proposed costs of another utility. Staff reserves the right to revisit this issue subject to further discovery.

Staff response to Rebuttal Testimony of Ms. Sheryl L. Hubbard:

1. Depreciation Expense – The reason for differences between the Staff and Company's depreciation expense are due to differences in rate base and depreciation rates.
2. Chemical Expense – Staff agrees with the Company's rebuttal position amount for chemical expense.
3. Fuel and Power Adjustor Mechanism – The Company proposes to establish a fuel and power adjustor mechanism. Unlike other decisions, where an adjustment mechanism has been approved, the Company failed to provide adequate support for the expense's volatility and its impact on the Company's overall financial performance. Staff recommends denial of the adjustor mechanism because of Staff's concern for piecemeal regulation inherent in adjustment mechanisms.

SUMMARY OF TESTIMONY OF DOROTHY HAINS

Recommendations: For Agua Fria Water District

- I. Staff recommends the depreciation rates for Arizona American Company's Agua Fria District ("Agua Fria District") presented in Figure 6 by the National Association of Regulatory Commissioners' ("NARUC") account.

FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS (Agua Fria Water District)

| NARUC Acct # | Company's Account #. | Depreciable Plant | Decision #68310 | Rate (%) Agua Fria proposed | Staff Recommended Rate (%) |
|--------------|----------------------|---|-----------------|-----------------------------|----------------------------|
| 301 | 301000 | Organization | 0 | 0 | 0 |
| 302 | 302000 | Franchises | 0 | 0 | 0 |
| 303 | | Land & Land Rights | | | |
| | 303200 | Land & Land Rights SS | 0 | 0 | 0 |
| | 303300 | Land & Land Rights P | 0 | 0 | 0 |
| | 303500 | Land & Land Right TD | 0 | 0 | 0 |
| | 303600 | Land & Land Right AG | 0 | 0 | 0 |
| 304 | | Structures & Improvements | | | |
| | 304100 | Structure & Improvement SS | 2.50 | 2.50 | 2.50 |
| | 304200 | Structure & Improvement P | 1.67 | 1.67 | 1.67 |
| | 304300 | Structures and Improvements WT | 1.67 | 1.67 | 1.67 |
| | 304400 | Structure & Improvement TD | 0.00 | 1.67 | 1.67 |
| | 304600 | Structure & Improvement office | 1.68 | 2.03 | 4.63 |
| | 304800 | Structure & Improvement Misc | 0.00 | 0.00 | 0.00 |
| 305 | 305000 | Collection & Impounding reservoirs | 0.00 | 0.00 | 2.50 |
| 307 | 307000 | Wells & Springs | 2.52 | 2.52 | 3.33 |
| 310 | 310100 | Power Generation Equip Other | 0.00 | 4.42 | 4.42 |
| 311 | | Pumping Equipment | | | |
| | 311200 | Pump Equipment Electric | 4.42 | 4.42 | 4.42 |
| | 311300 | Pump Equipment Diesel | 4.42 | 4.42 | 4.42 |
| | 311500 | Pump Equipment Other | 4.42 | 4.42 | 4.42 |
| 320 | | Water Treatment | | | |
| 320.1 | 320100 | Water Treatment Equipment | 4.00 | | |
| | N/A | Water Treatment Equipment Non-Media (arsenic removal equip) | N/A | 4.00 | 7.06 |
| | N/A | Media Water Treatment Equipment (pressurized vessels, arsenic removal equip) | N/A | N/A | 5.00 |
| | N/A | Ion Exchange Treatment | N/A | N/A | 4.00 |
| 320.2 | N/A | Equip(arsenic removal equip) | N/A | N/A | 5.00 |
| 320.3 | N/A | Solution Chemical Feeder | N/A | N/A | 5.00 |
| | N/A | Sludge Disposal Equipment (arsenic removal plant) | N/A | N/A | 5.00 |
| 330 | | Distribution Reservoirs & Standpipes | | | |
| | 33000 | Distribution Reservoirs & Standpipes | 1.67 | 1.67 | 1.67 |

| | | | | | |
|--------------|--------|---|-------|-------|-------|
| 330.1 | N/A | Storage Tanks | N/A | N/A | 1.67 |
| 330.2 | N/A | Pressure tanks | N/A | N/A | 5.00 |
| 331 | | Transmission and Distribution | 1.53 | | |
| | 331001 | TD mains not classified by size | N/A | 1.53 | 1.53 |
| | 331100 | TD mains 4-inch & less | N/A | 1.53 | 1.53 |
| | 331200 | TD mains 6-inch to 8-inch | N/A | 1.53 | 1.53 |
| | 331300 | TD mains 10-inch to 16-inch | N/A | 1.53 | 1.53 |
| | | TD mains 18-inch and larger | N/A | N/A | 2.00 |
| | 332000 | Fire Mains | 0.00 | 0.00 | 2.00 |
| 333 | 333000 | Services | 2.48 | 2.48 | 2.48 |
| 334 | | Meters | | | |
| | 334100 | Meters | 2.51 | 2.51 | 2.51 |
| | 334200 | Meter installations | N/A | 2.51 | 2.51 |
| 335 | 335000 | Hydrants | 2.00 | 2.00 | 2.00 |
| 336 | N/A | Backflow Prevention Devices | N/A | N/A | 6.67 |
| 339 | | Other Plant & Misc Equipment | 4.98 | | |
| | 339100 | Other P/E Intangible | N/A | 0 | 0 |
| | 339500 | Other P/E SS | N/A | 0 | 0 |
| 340 | | Office Furniture & Equipment | | | |
| | 340100 | Office Furniture & Equipments | 4.55 | 4.04 | 4.04 |
| | 340200 | Computer & periph equipment | 4.55 | 10.00 | 10.00 |
| 340.1 | N/A | Computer Software | N/A | N/A | 25.00 |
| 341 | | Transportation Equipment | 25.00 | | |
| | 341100 | Transportation Equip, Lt Duty Trucks | N/A | 20.00 | 20.00 |
| | 341200 | Transportation Equip, heavy Duty Trucks | N/A | 25.00 | 15.00 |
| | 341400 | Transportation Equipment Other - Golf Carts | N/A | 25.00 | 16.67 |
| 342 | 342000 | Store Equipments | 3.92 | 3.92 | 3.92 |
| 343 | 343000 | Tools Shop & Garage Equipments | 4.14 | 4.02 | 4.02 |
| 344 | 344000 | Lab equipments | 3.71 | 0.00 | 3.71 |
| 345 | 345000 | Power operated equipments | 5.14 | 5.20 | 5.20 |
| 346 | | Communication Equipments | | | |
| | 346100 | Communication Equip non-telephone | 10.28 | 10.30 | 10.30 |
| | 346300 | Communication Equip Other | N/A | 4.93 | 4.93 |

- II. Staff recommends the adoption of the Company and Staff recommended service line, meter installation charges and total charges. (See §J of report for discussion and details.)
- III. Staff recommends that \$126,352 of Arsenic Treatment Plant installation be removed from plant.
- IV. Staff recommends that well, tanks, and booster pumps in the Coolwell System be removed from plant. The cost of interconnection was \$85,845, because the interconnection project only involved mains and one hydrant. Therefore, Staff recommends \$85,845 be listed in NARUC account #331. (See §J of report for discussion and details.)
- V. Staff recommends that the tanks, and booster pumps in Plant #6 of the Agua Fria System be removed from plant. (See §J of report for discussion and details.)

VI. Staff considers the reported water testing expenses and the estimated water testing costs of \$25,089 for the Agua Fria District reasonable. (See §F of report for discussion and details.)

For Havasu Water District

I. Staff recommends the depreciation rates for Arizona American Company's Havasu District ("Havasu") presented in Figure 6 by National Association of Regulatory Commissioners' ("NARUC") account.

**FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS -Havasu**

| NARUC Acct # | Company's Account #. | Depreciable Plant | Decision # 68310 | Rate (%) proposed | Staff Recommended Rate (%) |
|--------------|----------------------|---|------------------|-------------------|----------------------------|
| 301 | 301000 | Organization | 0 | 0 | 0 |
| 302 | 302000 | Franchises | 0 | 0 | 0 |
| 303 | | Land & Land Rights | | | 0 |
| | 303200 | Land & Land Rights SS | 0 | 0 | |
| | 303300 | Land & Land Rights P | 0 | 0 | |
| | 303500 | Land & Land Right TD | 0 | 0 | |
| | 303600 | Land & Land Right AG | 0 | 0 | |
| 304 | | Structures & Improvements | | | |
| | 304100 | Structure & Improvement SS | 2.79 | 2.58 | 2.58 |
| | 304200 | Structure & Improvement P | 0 | 0.00 | 0.00 |
| | 304300 | Structures and Improvements WT | 0 | 0.00 | 0.00 |
| | 304400 | Structure & Improvement TD | 0 | 0.00 | 0.00 |
| | 304600 | Structure & Improvement office | 2.03 | 2.58 | 2.58 |
| | 304800 | Structure & Improvement Misc | N/A | 0.00 | 0.00 |
| 305 | 305000 | Collection & Impounding reservoirs | 2.54 | 2.58 | 2.54 |
| 307 | 307000 | Wells & Springs | 2.54 | 2.54 | 2.54 |
| 310 | 310100 | Power Generation Equip Other | 5.12 | 3.83 | 3.83 |
| 311 | | Pumping Equipment | | | |
| | 311200 | Pump Equipment Electric | 3.71 | 3.83 | 3.83 |
| | 311300 | Pump Equipment Diesel | 0.00 | 0.00 | 0.00 |
| | 311500 | Pump Equipment Other | 0.00 | 0.00 | 0.00 |
| 320 | | Water Treatment | | | |
| 320.1 | 320100 | Water Treatment Plant Equipment | | | |
| | | Water Treatment Plant (Non-Media arsenic removal equip) | 12.00 | 12.00 | 7.06 |
| | N/A | Water Treatment Plant (Media arsenic removal equip) | N/A | N/A | 5.00 |
| 320.2 | N/A | Chemical Solution Feeders | N/A | N/A | 5.00 |
| 320.3 | N/A | Sludge Disposal Equipment (arsenic removal equip) | N/A | N/A | 5.00 |
| 330 | | Distribution Reservoirs & Standpipes | | | |
| | 33000 | | 2.33 | 2.33 | 2.33 |
| 330.1 | N/A | Distribution Reservoirs & Standpipes | N/A | N/A | 2.33 |
| 330.2 | N/A | Storage Tank | N/A | N/A | 5.00 |

| | | | | | |
|--------------|---------|---|-------|-------|-------|
| | | Pressure Tank | | | |
| 331 | | Transmission and Distribution | 2.10 | | |
| | 331001 | TD mains not classified by size | N/A | 2.10 | 2.10 |
| | 331100 | TD mains 4-inch & less | N/A | 2.10 | 2.10 |
| | 331200 | TD mains 6-inch to 8-inch | N/A | 2.10 | 2.10 |
| | 331300 | TD mains 10-inch to 16-inch | N/A | 2.10 | 2.10 |
| | | TD mains 18-inch and larger | N/A | N/A | 2.00 |
| | | Other Transmission and Distribution | N/A | N/A | 2.00 |
| | | Fire mains | N/A | N/A | 2.00 |
| 333 | 333000 | Services | 2.89 | 2.89 | 2.89 |
| 334 | | Meters | 3.52 | | |
| | 334100 | Meters | N/A | 3.52 | 3.52 |
| | 334200 | Meter installations | N/A | 3.52 | 3.52 |
| 335 | 335000 | Hydrants | 0.00 | 1.99 | 1.99 |
| 336 | N/A | Backflow Prevention Devices | N/A | N/A | 6.67 |
| 339 | | Other Plant & Misc Equipment | N/A | | |
| | 339100 | Other P/E Intangible | | 0 | 0 |
| | 3392500 | Other P/E SS | | 0 | 0 |
| 340 | | Office Furniture & Equipments | | | |
| | 340100 | Office Furniture & Equipments | 4.10 | 4.47 | 4.47 |
| | 340200 | Computer & periph equipment | 4.10 | 10.00 | 10.00 |
| 340.1 | N/A | Computer Software | N/A | N/A | 25.00 |
| 341 | | Transportation Equipment | 25.00 | | |
| | 341100 | Transportation Equip, Lt Duty | | 25.00 | 20.00 |
| | 341200 | Trucks | | 25.00 | 15.00 |
| | 341400 | Transportation Equip, heavy Duty Trucks | N/A | 25.00 | 16.67 |
| | | Transportation Equipment, Other – Golf Cart | | | |
| 342 | 342000 | Store Equipments | 3.93 | 3.93 | 3.93 |
| 343 | 343000 | Tools Shop & Garage Equipments | 7.55 | 4.49 | 4.49 |
| 344 | 344000 | Lab equipments | 3.06 | 3.06 | 3.06 |
| 345 | 345000 | Power operated equipments | 9.23 | 2.55 | 2.55 |
| 346 | | Communication Equipments | 4.10 | | |
| | 346100 | Communication Equip non-telephone | | 8.37 | 8.37 |
| | 346300 | Communication Equip Other | | 6.19 | 6.19 |
| 347 | | Miscellaneous Equipment | 6.19 | N/A | 6.19 |

- II. Staff recommends approval of separate meter and service line installation charges as shown under the Staff Recommended columns in Table 4. (See §J of report for discussion and details.)
- III. Lost water for Havasu was calculated to be 13.34 percent which exceeds acceptable limits. Staff recommends that the Company reduce its water loss to below 10 percent in Havasu by December 31, 2009, or before it files its next rate increase application and/or CC&N application and/or financing application, whichever comes first. Staff further recommends that the Company begin water loss monitoring and take action to ensure water loss remains less than 10 percent immediately. If the water loss for the twelve month period ending December 31, 2009, is greater than 10 percent, the Company must come up with a plan to reduce water loss to less than 10 percent, or prepare a report containing a detailed

analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Such a report shall be docketed in this case. (See §G of report for discussion and details.)

- IV. Staff recommends that \$143,485 of Arsenic Treatment Plant installation be removed from plant. (See §J of report for discussion and details.)
- V. Staff considers the reported water testing expenses and the estimated water testing costs of \$5,295 for the Havasu reasonable. (See §F of report for discussion and details.)

For Mohave Water District

- I. Staff recommends the depreciation rates for Arizona American Company's Mohave Water District ("Mohave Water District") presented in Figure 6 by National Association of Regulatory Commissioners' ("NARUC") account.

**FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS (Mohave Water District)**

| NARUC Acct # | Company's Account #. | Depreciable Plant | Decision #69440 | Rate (%) Mohave Water proposed | Staff Recommended Rate (%) |
|--------------|----------------------|---|-----------------|--------------------------------|----------------------------|
| 301 | 301000 | Organization | 0 | 0 | 0 |
| 302 | 302000 | Franchises | 0 | 0 | 0 |
| 303 | | Land & Land Rights | | | |
| | 303200 | Land & Land Rights SS | 0 | 0 | 0 |
| | 303300 | Land & Land Rights P | 0 | 0 | 0 |
| | 303500 | Land & Land Right TD | 0 | 0 | 0 |
| | 303600 | Land & Land Right AG | 0 | 0 | 0 |
| 304 | | Structures & Improvements | | | |
| | 304100 | Structure & Improvement SS | 2.83 | 2.83 | 2.83 |
| | 304200 | Structure & Improvement P | 2.39 | 2.39 | 2.39 |
| | 304300 | Structures and Improvements WT | 2.50 | 2.50 | 2.50 |
| | 304400 | Structure & Improvement TD | 1.81 | 1.81 | 1.81 |
| | 304510 | Structure & Improvement AG Cap Lease | | | |
| | | Structure & Improvement office | 4.63 | 4.63 | 4.63 |
| | 304600 | Structure & Improvement Store, Shop, | 2.03 | 2.03 | 2.03 |
| | 304700 | Garage | | | |
| | | Structure & Improvement Misc | 4.63 | 4.63 | 4.63 |
| | 304800 | | 0.00 | 0.00 | 0.00 |
| 305 | 305000 | Collection & Impounding reservoirs | 2.54 | 2.54 | 2.54 |
| 307 | 307000 | Wells & Springs | 2.70 | 2.70 | 2.70 |
| 310 | 310100 | Power Generation Equip Other | N/A | 0.00 | 5.00 |
| 311 | | Pumping Equipment | | | |
| | 311200 | Pump Equipment Electric | 5.12 | 5.12 | 5.12 |
| | 311300 | Pump Equipment Diesel | N/A | 0.00 | 5.00 |
| | 311500 | Pump Equipment Other | N/A | 0.00 | 5.00 |
| 320 | | Water Treatment | | | |
| 320.1 | | Water Treatment Plant Equipment | | | |

| | | | | | |
|--------------|--------|---|-------|-------|-------|
| | 320100 | Water Treatment Equipment Non-Media (arsenic removal equip) | 12.00 | 12.00 | 7.06 |
| | N/A | Water Treatment Equipment -Media (arsenic removal equip) | N/A | N/A | 5.00 |
| 320.2 | N/A | Chemical Solution Feeders | N/A | N/A | 5.00 |
| 320.3 | N/A | Sludge Disposal Equipment (arsenic removal) | N/A | N/A | 5.00 |
| 330 | | Distribution Reservoirs & Standpipes | | | |
| | 33000 | Distribution Reservoirs & Standpipes | | | |
| | | Storage Tank | 1.81 | 1.81 | 1.81 |
| 330.1 | N/A | Pressure Tank | N/A | N/A | 1.81 |
| 330.2 | N/A | | N/A | N/A | 5.00 |
| 331 | | Transmission and Distribution | | | |
| | 331001 | TD mains not classified by size | 2.61 | 2.61 | 1.53 |
| | 331100 | TD mains 4-inch & less | 2.61 | 2.61 | 1.53 |
| | 331200 | TD mains 6-inch to 8-inch | 2.61 | 2.61 | 1.53 |
| | 331300 | TD mains 10-inch to 16-inch | 2.61 | 2.61 | 1.53 |
| | | TD mains 18-inch and larger | N/A | N/A | 2.00 |
| | 332000 | Fire Mains | N/A | N/A | 2.00 |
| 333 | 333000 | Services | 5.41 | 5.41 | 2.89 |
| 334 | | Meters | | | |
| | 334100 | Meters | 6.53 | 6.53 | 6.53 |
| | 334200 | Meter installations | 6.53 | 6.53 | 6.53 |
| 335 | 335000 | Hydrants | 1.99 | 1.99 | 1.99 |
| 336 | N/A | Backflow Prevention Devices | N/A | N/A | 6.67 |
| 339 | | Other Plant & Misc Equipment | N/A | | |
| | 339100 | Other P/E Intangible | | 0 | 0 |
| | 339500 | Other P/E SS | | 0 | 0 |
| 340 | | Office Furniture & Equipment | | | |
| | 340100 | Office Furniture & Equipments | 4.04 | 4.04 | 4.04 |
| | 340200 | Computer & periph equipment | 4.04 | 10.00 | 10.00 |
| 340.1 | 340300 | Computer software | 37.71 | 37.71 | 25 |
| 341 | | Transportation Equipment | | | |
| | 341100 | Transportation Equip, Lt Duty Trucks | 25.00 | 20.00 | 20.00 |
| | 341200 | Transportation Equip, heavy Duty Trucks | N/A | 25.00 | 15.00 |
| | 341400 | Transportation Equip, Other – Golf Carts | N/A | 25.00 | 16.67 |
| 342 | 342000 | Store Equipments | 3.93 | 3.93 | 3.93 |
| 343 | 343000 | Tools Shop & Garage Equipments | 11.70 | 11.70 | 4.49 |
| 344 | 344000 | Lab equipments | 3.30 | 3.30 | 10.00 |
| 345 | 345000 | Power operated equipments | 13.90 | 13.90 | 4.64 |
| 346 | | Communication Equipments | | | |
| | 346100 | Communication Equip non-telephone | 3.66 | 3.66 | 3.66 |
| | 346200 | Communication Equip telephone | 9.76 | 9.76 | 9.76 |
| | 346300 | Communication Equip Other | 6.19 | 6.19 | 6.19 |

- II. Staff recommends the adoption of the Company and Staff recommended service line and meter installation charges and total charges. (See §J of report for discussion and details.)
- III. Staff recommends that the Company reduce its water loss to 10 percent or less in the Bullhead City System by December 31, 2010, or before it files its next rate

increase application and/or CC&N application and/or financing application, whichever comes first. Staff further recommends that the Company begin water loss monitoring and take action to ensure water loss is reduced to 10 percent or less immediately. If the water loss for a twelve month period prior to December 31, 2010 is greater than 10 percent, the Company must come up with a plan to reduce water loss to 10 percent or less, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Such a report shall be docketed in this case. (See §G of report for discussion and details.)

- IV. Staff recommends that the Company file by August 31, 2009, as a compliance item in this same docket, a copy of the Approval of Construction, issued by ADEQ or its authorized agency, indicating that the new well with a minimum production of 190 GPM interconnected to Desert Foothills is complete and in service. (See §B of report for discussion and details.)
- V. Staff considers the reported water testing expenses and the estimated water testing costs of \$17,107 for the Mohave Water District reasonable. (See §F of report for discussion and details.)

For Paradise Valley Water District

- I. Staff recommends the depreciation rates for Arizona American Company's Paradise Valley District ("Paradise Valley") presented in Figure 6 by National Association of Regulatory Commissioners' ("NARUC") account.

**FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS – Paradise Valley**

| NARUC Acct # | Company's Account #. | Depreciable Plant | Decision # 68858 | Rate (%) proposed | Staff Recommended Rate (%) |
|--------------|----------------------|---|------------------|-------------------|----------------------------|
| 301 | 301000 | Organization | 0 | 0 | 0 |
| 302 | 302000 | Franchises | 0 | 0 | 0 |
| 303 | | Land & Land Rights | | | |
| | 303200 | Land & Land Rights SS | 0 | 0 | 0 |
| | 303300 | Land & Land Rights P | 0 | 0 | 0 |
| | 303500 | Land & Land Right TD | 0 | 0 | 0 |
| | 303600 | Land & Land Right AG | 0 | 0 | 0 |
| 304 | | Structures & Improvements | | | |
| | 304100 | Structure & Improvement SS | 14.59 | 14.59 | 2.50 |
| | 304200 | Structure & Improvement P | 3.99 | 3.99 | 3.99 |
| | 304300 | Structures and Improvements WT | 2.00 | 2.00 | 2.00 |
| | 304400 | Structure & Improvement TD | 1.50 | 1.50 | 1.50 |
| | 304500 | Structure & Improvement AG | 4.63 | 3.99 | 3.99 |
| | 304600 | Structure & Improvement office | 4.63 | 0.00 | 0.00 |
| | 304700 | Structure & Improvement store, shop, garage | 4.63 | 3.99 | 3.99 |
| | 304800 | Structure & Improvement Misc | 4.63 | 3.99 | 3.99 |
| 307 | 307000 | Wells & Springs | 2.48 | 2.48 | 2.48 |

| | | | | | |
|--------------|--------|--|-------|-------|-------|
| 310 | 310100 | Power Generation Equip Other | N/A | 4.39 | 4.39 |
| 311 | | Pumping Equipment | | | |
| | 311200 | Pump Equipment Electric | 4.39 | 4.39 | 4.39 |
| | 311300 | Pump Equipment Diesel | 4.39 | 4.39 | 4.39 |
| 320 | | Water Treatment | | | |
| 320.1 | 320100 | Water Treatment Plant Equip Water Treatment Equipment Non-Media (arsenic removal equip) | 7.06 | 7.06 | 7.06 |
| 320.2 | N/A | Chemical Solution Feeders | N/A | N/A | 5.00 |
| 320.3 | N/A | Sludge Disposal Equip (arsenic removal) | N/A | N/A | 5.00 |
| 330 | 33000 | Distribution Reservoirs & Standpipes Distribution Reservoirs & Standpipes | 3.15 | 3.15 | 3.15 |
| 331 | | Transmission and Distribution | | | |
| | 331001 | TD mains Not Classified by Sizes | 0 | 0 | 0 |
| | 331100 | TD mains 4-inch & less | 4.17 | 4.17 | 4.17 |
| | 331200 | TD mains 6-inch to 8-inch | 2.52 | 2.52 | 2.52 |
| | 331300 | TD mains 10-inch to 16-inch | 2.34 | 2.34 | 2.34 |
| | | TD mains 18-inch and larger | N/A | N/A | 2.00 |
| | 332000 | Fire Mains | N/A | N/A | 2.00 |
| 333 | 333000 | Services | 4.72 | 4.72 | 4.72 |
| 334 | | Meters | | | |
| | 334100 | Meters | 7.21 | 7.21 | 2.51 |
| | 334200 | Meter installations | 1.51 | 1.51 | 1.51 |
| 335 | 335000 | Hydrants | 2.10 | 2.10 | 2.10 |
| 336 | N/A | Backflow Prevention Devices | N/A | N/A | 6.67 |
| 339 | | Other Plant & Misc Equipment | | | |
| | 339600 | Other P/E CPS | 0 | 0.00 | 0.00 |
| 340 | | Office Furniture & Equipment | | | |
| | 340100 | Office Furniture & Equipments | 4.04 | 4.04 | 4.04 |
| | 340200 | Computer & periph equipment | 15.89 | 10.00 | 10.00 |
| | 340500 | Other Office Equipment | 7.13 | 7.13 | 7.13 |
| 340.1 | 340300 | Computer software | 37.71 | 37.71 | 25 |
| 341 | | Transportation Equipment | | | |
| | 341100 | Transportation Equip, Lt Duty Trucks | 28.05 | 20.00 | 20.00 |
| | 341300 | Transportation Equip Autos | 7.80 | 7.80 | 7.80 |
| | 341400 | Transportation Equip, Other – Golf Carts | 0.93 | 25.00 | 16.67 |
| 342 | 342000 | Store Equipments | N/A | N/A | 4.00 |
| 343 | 343000 | Tools Shop & Garage Equipments | 3.61 | 3.61 | 3.61 |
| 344 | 344000 | Lab equipments | N/A | N/A | 10.00 |
| 345 | 345000 | Power operated equipments | 4.64 | 4.64 | 4.64 |
| 346 | | Communication Equipments | | | |
| | 346100 | Communication Equip non-telephone | 9.76 | 9.76 | 9.76 |
| | 346300 | Communication Equip Other | 7.91 | 7.91 | 4.93 |

II. Staff recommends approval of separate meter and service line installation charges as shown under the Staff Recommended columns in Table 4. (See § J of report for discussion and details.)

- III. Staff recommends annual water testing expense for Paradise Valley be adjusted to the annual expense amount of \$2,033. (See § F of report for discussion and details.)
- IV. Paradise Valley Water has 9.59% lost water which is within acceptable limits. Staff recommends that the Company monitor the water system closely and take action to ensure that loss of water remains less than 10% in the future. If the water loss at any time before the next rate case is greater than 10%, the Company shall come up with a plan to reduce loss water to less than 10%, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10% or less is not feasible or cost effective. Such a report shall be docketed in this case. (See § G of report for discussion and details.)

For Sun City West Water District

- I. Staff recommends the depreciation rates for Arizona American Company's Sun City West District ("Sun City West District") presented in Figure 6 by NARUC account.

**FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS (Sun City West Water)**

| NARUC Acct # | Company's Account #. | Depreciable Plant | Decision #68310 | Rate (%) Sun City West Water proposed | Staff Recommended Rate (%) |
|----------------------|----------------------|---|-----------------|---------------------------------------|----------------------------|
| 301 | 301000 | Organization | 0 | 0 | 0 |
| 302 | 302000 | Franchises | 0 | 0 | 0 |
| 303 | | Land & Land Rights | | | |
| | 303200 | Land & Land Rights SS | 0 | 0 | 0 |
| | 303300 | Land & Land Rights P | 0 | 0 | 0 |
| | 303500 | Land & Land Right TD | 0 | 0 | 0 |
| | 303600 | Land & Land Right AG | 0 | 0 | 0 |
| 304 | | Structures & Improvements | | | |
| | 304100 | Structure & Improvement SS | 2.50 | 2.50 | 2.50 |
| | 304200 | Structure & Improvement P | 1.67 | 1.67 | 1.67 |
| | 304300 | Structures and Improvements WT | 1.67 | 1.67 | 1.67 |
| | 304400 | Structure & Improvement TD | 0 | 1.67 | 2.00 |
| | 304600 | Structure & Improvement office | 1.68 | 2.12 | 4.63 |
| | 304800 | Structure & Improvement Misc | 0 | 0.00 | 0.00 |
| 305 | 305000 | Collection & Impounding reservoirs | 0.00 | 0.00 | 0.00 |
| 307 | 307000 | Wells & Springs | 2.52 | 2.52 | 2.52 |
| 310 | 310100 | Power Generation Equip Other | | 0.00 | 4.42 |
| 311 | | Pumping Equipment | | | |
| | 311200 | Pump Equipment Electric | 4.42 | 4.42 | 4.42 |
| | 311300 | Pump Equipment Diesel | 4.42 | 4.42 | 5.00 |
| | 311500 | Pump Equipment Other | 4.42 | 4.42 | 5.01 |
| 320 320.1 | | Water Treatment | | | |
| | 320100 | Water Treatment Equipment | | | |
| | | Water Treatment Equipment (Non-Media arsenic removal equip) | 4.00 | 4.00 | 7.06 |
| | N/A | Media Water Treatment Equipment | | | |

| | | | | | |
|------------|--------|---|-------|-------|-------|
| 320.2 | N/A | (pressurized vessels arsenic removal equip) | N/A | N/A | 5.00 |
| 320.3 | N/A | Solution Chemical Feeder | N/A | N/A | 5.00 |
| | | Sludge Disposal Equipment (arsenic removal) | N/A | N/A | 5.00 |
| 330 | | Distribution Reservoirs & Standpipes | | | |
| | 33000 | Distribution Reservoirs & Standpipes | 1.67 | 1.67 | 1.67 |
| 330.1 | N/A | Storage Tanks | N/A | N/A | 1.67 |
| 330.2 | N/A | Pressure tanks | N/A | N/A | 5.00 |
| 331 | | Transmission and Distribution | 1.53 | | |
| | 331001 | TD mains not classified by size | N/A | 1.53 | 1.53 |
| | 331100 | TD mains 4-inch & less | N/A | 1.53 | 1.53 |
| | 331200 | TD mains 6-inch to 8-inch | N/A | 1.53 | 1.53 |
| | 331300 | TD mains 10-inch to 16-inch | N/A | 1.53 | 1.53 |
| | 332000 | Fire Mains | 0.00 | 1.53 | 1.53 |
| 333 | 333000 | Services | 2.48 | 2.48 | 2.48 |
| 334 | | Meters | | | |
| | 334100 | Meters | 2.51 | 2.51 | 2.51 |
| | 334200 | Meter installations | N/A | 2.51 | 2.51 |
| 335 | 335000 | Hydrants | 2.00 | 2.00 | 2.00 |
| 336 | N/A | Backflow Prevention Devices | N/A | N/A | 6.67 |
| 339 | | Other Plant & Misc Equipment | 4.98 | | |
| | 339100 | Other P/E Intangible | | 0 | 0 |
| | 339500 | Other P/E SS | | 0 | 2.00 |
| 340 | | Office Furniture & Equipment | | | |
| | 340100 | Office Furniture & Equipments | 4.55 | 4.59 | 4.59 |
| | 340200 | Computer & periph equipment | 4.55 | 10.00 | 10.00 |
| 340.1 | N/A | Computer Software | N/A | N/A | 25.00 |
| 341 | | Transportation Equipment | 25.00 | | |
| | 341100 | Transportation Equip, Lt Duty Trucks | N/A | 20.00 | 20.00 |
| | 341200 | Transportation Equip, heavy Duty | N/A | 25.00 | 15.00 |
| | 341400 | Trucks | N/A | 25.00 | 16.67 |
| | | Transportation Equip, Other – Golf Carts | | | |
| 342 | 342000 | Store Equipments | 3.92 | 4.02 | 3.91 |
| 343 | 343000 | Tools Shop & Garage Equipments | 4.14 | 4.02 | 4.02 |
| 344 | 344000 | Lab equipments | 3.71 | 3.71 | 3.71 |
| 345 | 345000 | Power operated equipments | 5.14 | 5.02 | 5.02 |
| 346 | | Communication Equipments | | | |
| | 346100 | Communication Equip non-telephone | 10.28 | 10.30 | 10.30 |
| | 346300 | Communication Equip Other | N/A | 4.93 | 4.93 |

- II. Staff recommends the adoption of the Company and Staff recommended service line and meter installation charges and total charges. (See § J of report for discussion and details.)
- III. Staff recommends that \$92,080 of Arsenic Treatment Plant installation should be removed from plant.
- IV. Staff considers the reported water testing expenses and the estimated water testing costs of \$5,618 for the Sun City West District reasonable. (See § F of report for discussion and details.)

For Tubac Water District

I. Staff recommends the depreciation rates for Arizona-American Company's Tubac District ("Tubac") presented in Figure 6 by NARUC account.

**FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS (Tubac)**

| NARUC Acct # | Company's Account #. | Depreciable Plant | Approved Rate (Decision # 67093) | Proposed Rate (%) (Tubac) | Staff Recommended Rate (%) |
|--------------|----------------------|---|----------------------------------|---------------------------|----------------------------|
| 301 | 301000 | Organization | 0 | 0 | 0 |
| 302 | 302000 | Franchises | 0 | 0 | 0 |
| 303 | | Land & Land Rights | 0 | | |
| | 303200 | Land & Land Rights SS | | 0 | 0 |
| | 303300 | Land & Land Rights P | | 0 | 0 |
| | 303400 | Land & Land Rights WT | | 0 | 0 |
| | 303500 | Land & Land Right TD | | 0 | 0 |
| | 303600 | Land & Land Right AG | | 0 | 0 |
| 304 | | Structures & Improvements | | | |
| | 304100 | Structure & Improvement SS | 2.40 | 2.21 | 2.21 |
| | 304200 | Structure & Improvement P | 1.94 | 2.21 | 2.21 |
| | 304300 | Structures and Improvements WT | 0 | 2.21 | 2.21 |
| | 304400 | Structure & Improvement TD | 1.92 | 2.21 | 2.21 |
| | 304600 | Structure & Improvement office | 2.89 | 2.21 | 2.21 |
| | 304800 | Structure & Improvement Misc | | 0 | 0 |
| 305 | 305000 | Collection & Impounding reservoirs | 0 | 0 | 0 |
| 307 | 307000 | Wells & Springs | 3.08 | 3.08 | 3.08 |
| 310 | 310100 | Power Generation Equip Other | 0 | 4.24 | 4.24 |
| 311 | | Pumping Equipment | | | |
| | 311200 | Pump Equipment Electric | 4.24 | 4.24 | 4.24 |
| | 311300 | Pump Equipment Diesel | 5.00 | 4.24 | 4.24 |
| | 311500 | Pump Equipment Gas/Other | 4.24 | 4.24 | 4.24 |
| 320 | | Water Treatment | | | |
| 320.1 | 320100 | Water Treatment Equipment | | | |
| | N/A | Water Treatment Equipment (Non-Media arsenic removal equip) | 4.00 | 4.00 | 7.06 |
| | N/A | Media Water Treatment Equipment (pressurized vessels arsenic removal equip) | N/A | N/A | 5.00 |
| 320.2 | N/A | Solution Chemical Feeder | N/A | N/A | 5.00 |
| 320.3 | N/A | Sludge Disposal Equipment (arsenic removal) | N/A | N/A | 5.00 |
| 330 | | Distribution Reservoirs & Standpipes | | | |
| | 33000 | Distribution Reservoirs & Standpipes | 1.62 | 1.62 | 1.62 |
| 330.1 | N/A | Storage Tanks | N/A | N/A | 2.22 |
| 330.2 | N/A | Pressure Tanks | N/A | N/A | 5.00 |
| 331 | | Transmission and Distribution | 1.97 | | |
| | 331001 | TD mains not classified by size | | 1.97 | 1.97 |
| | 331100 | TD mains 4-inch & less | | 1.97 | 1.97 |

| | | | | | |
|--------------|--------|---|-------|-------|-------|
| | 331200 | TD mains 6-inch to 8-inch | | 1.97 | 1.97 |
| | 331300 | TD mains 10-inch to 16-inch | | 2.34 | 2.34 |
| 333 | 333000 | Services | 2.45 | 2.45 | 2.45 |
| 334 | | Meters | 2.42 | | |
| | 334100 | Meters | | 2.42 | 2.42 |
| | 334200 | Meter installations | | 2.42 | 2.42 |
| 335 | 335000 | Hydrants | 1.97 | 1.97 | 1.97 |
| 336 | N/A | Backflow Prevention Devices | N/A | N/A | 6.67 |
| 339 | | Other Plant & Misc Equipment | | | |
| | 339100 | Other P/E Intangible | | 0 | 0 |
| | 339500 | Other P/E TD | | 0.00 | 0.00 |
| 340 | | Office Furniture & Equipment | | | |
| | 340100 | Office Furniture & Equipments | 3.28 | 10.83 | 3.28 |
| | 340200 | Computer & periph equipment | 3.28 | 10.00 | 10.00 |
| 340.1 | N/A | Computer Software | N/A | N/A | 25.00 |
| 341 | | Transportation Equipment | 25.00 | | |
| | 341100 | Transportation Equip, Lt Duty Trucks | N/A | 20.00 | 20.00 |
| | 341200 | Transportation Equip, heavy Duty | N/A | 25.00 | 15.00 |
| | 341400 | Trucks | N/A | 25.00 | 16.67 |
| | | Transportation Equip, Other – Golf Carts | | | |
| 342 | 342000 | Store Equipments | 4.00 | 3.59 | 3.59 |
| 343 | 343000 | Tools Shop & Garage Equipments | 3.42 | 3.59 | 3.59 |
| 344 | 344000 | Lab equipments | 0.00 | 0.0 | 0.0 |
| 345 | 345000 | Power operated equipments | 0.00 | 4.64 | 4.64 |
| 346 | | Communication Equipments | | | |
| | 346100 | Communication Equip non-telephone | 5.03 | 5.03 | 5.03 |
| | 346300 | Communication Equip Other (misc) | 4.93 | 4.93 | 4.93 |

- II. Staff recommends approval of the meter and service line installation charges listed in the right-hand columns of Table 4. (See § K of report for discussion and details.)
- III. All production wells in Tubac contain arsenic levels exceeding the arsenic maximum contaminant level (“MCL”). Tubac proposes to install a granular iron media filter arsenic removal treatment plant (“ARTP”) and seek Arsenic Cost Recovery Mechanism (“ACRM”) approval from the Commission. Staff believes that ARTP installation is necessary. (See § K of report for discussion and details.)
- IV. Water testing expenses are based upon participation in the Arizona Department of Environmental Quality (“ADEQ”) Monitoring Assistance Program. Annual testing expenses should be adjusted to \$2,360. (See § G and Table 1 for discussion and details.)

For Mohave Wastewater District

- I. It is recommended that the Mohave Wastewater District use depreciation rates as delineated in Figure 6. (See § G and Figure 6 of the report for discussion and details.)

- II. Staff recommends approval of the Off-site Facilities Hook-up Fee (“OFHF”) fees and reporting requirement contained in Figure 7. The Company shall submit a calendar year Off-Site Facilities Hook-Up Fee status report each January 31st to Docket Control for the prior twelve (12) month period, beginning January 31, 2010, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period. The first report shall cover the time frame from inception of this tariff through December 31, 2009. (See § F of the report for discussion and details.)

- III. Staff recommends the Company reported amount of \$11,403 annual chemical testing costs. (See § H of the report for discussion and details.)

Conclusions:

For Agua Fria Water District

- I. Maricopa County Environmental Services Department (“MCESD”) has determined that Agua Fria District is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See §C for a discussion and details.)

- II. The Agua Fria District is within the Phoenix Active Management Area and is in compliance with the Arizona Department of Water Resource (“ADWR”) monitoring and reporting rules. (See §E of report for discussion and details.)

- III. The Agua Fria System, North East Agua Fria (“NEAF”) System and Coolwell System have 4.33, 8.81 and 7.17 percent lost water respectively, which is within acceptable limits. (See §G of report for discussion and details.)

- IV. The Agua Fria District has an approved cross connection tariff. (See §J of report for discussion and details.)

- V. The Agua Fria District Systems have adequate production and storage capacity to serve existing customers. (See §B of report for discussion and details.)

- VI. The Agua Fria District has an approved curtailment tariff. (See §K of report for discussion and details.)

- VII. The post test year plant, 2.2 MG Sierra Montana storage tank, was not in service during Staff’s inspection. (See §J of report for discussion and details.)

- VIII. The White Tanks Regional Treatment Plant is not used and useful. (See §J of report for discussion and details.)
- IX. A check with the Utilities Division Compliance Section showed Agua Fria has no outstanding compliance issues. (See §D of report for discussion and details.)

For Havasu Water District

- I. Arizona Department of Environmental Quality (“ADEQ”) has determined that Havasu system is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See §C for a discussion and details.)
- II. ADWR has determined that Havasu is not within any ADWR’s Active Management Area and is in compliance with the ADWR requirements governing water providers. (See §E of report for discussion and details.)
- III. Havasu has an approved cross connection tariff. (See §J of report for discussion and details.)
- IV. Havasu has adequate storage and well production to serve its existing customers and projected growth for a five-year planning horizon. (See §B of report for discussion and details.)
- V. Havasu has an approved curtailment tariff. (See §J of report for discussion and details.)
- VI. A check with the Utilities Division Compliance Section showed Havasu has no outstanding compliance issues. (See §D of report for discussion and details.)

For Mohave Water District

- I. ADEQ stated that it has determined that the Mohave Water District systems and the Bermuda Water system are currently delivering water that meet water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See §C for a discussion and details.)
- II. Mohave Water District is not within any Active Management Area. ADWR stated that all water systems in the Mohave Water are in compliance with its requirements governing water providers. (See §E of report for discussion and details.)
- III. Mohave Water District has an approved cross connection tariff. (See §J of report for discussion and details.)

- IV. All systems except Desert Foothills System in Mohave Water District have adequate production and storage capacity to serve existing customers. (See §B of report for discussion and details.)
- V. Mohave Water District has an approved curtailment tariff. (See §J of report for discussion and details.)
- VI. The post test year plant, 0.25 MG Big Bend Acres storage tank, was not in service during Staff's inspection. (See §J of report for discussion and details.)
- VII. A check with the Utilities Division Compliance Section showed Mohave Water has no outstanding compliance issues. (See §D of report for discussion and details.)

For Paradise Valley Water District

- I. MCESD has determined that Paradise Valley is currently in compliance with its requirements and is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See § C for a discussion and details.)
- II. Paradise Valley is within the Phoenix Active Management Area and is in compliance with the ADWR monitoring and reporting rules. (See § E of report for discussion and details.)
- III. Paradise Valley Water has an approved cross connection tariff and an approved curtailment tariff. (See § J of report for discussion and details.)
- IV. Paradise Valley has adequate well production and storage capacity. (See § B of report for discussion and details.)
- V. The Trichloroethylene ("TCE") contaminated well, PCX-1 well has been disconnected from Miller Road TCE treatment plant since May 2008. (See § J of report for discussion and details.)
- VI. Staff concludes that the Well No. 12 project is not used and useful plant for purposes of this case. (See § J of report for discussion and details.)
- VII. A check with the Utilities Division Compliance Section showed Paradise Valley has no outstanding compliance issues. (See § D of report for discussion and details.)

For Sun City West Water District

- I. MCESD has determined that Sun City West District is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See § C for a discussion and details.)
- II. Sun City West District is within the Phoenix Active Management Area and is in compliance with the ADWR monitoring and reporting rules. (See § E of report for discussion and details.)
- III. Sun City West District has 6.3 percent lost water which is within acceptable limits. (See § G of report for discussion and details.)
- IV. Sun City West District has an approved cross connection tariff. (See § J of report for discussion and details.)
- V. Sun City West District has adequate production and storage capacity to serve its existing customers. (See § B of report for discussion and details.)
- VI. Sun City West District has an approved curtailment tariff. (See § K of report for discussion and details.)
- VII. A check with the Utilities Division Compliance Section showed Sun City West has no outstanding compliance issues. (See § D of report for discussion and details.)

For Tubac Water District

- I. ADEQ has determined that Tubac is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. The ADEQ has granted Tubac a waiver of the arsenic MCL violation while it works to address the problem. (See § D for a discussion and details.)
- II. Tubac is within the Santa Cruz Active Management Area and is in compliance with the ADWR requirements governing water providers. (See § F of report for discussion and details.)
- III. Tubac has 8.02% lost water which is within acceptable limits. (See § H of report for discussion and details.)
- IV. Tubac has an approved cross connection tariff. (See § K of report for discussion and details.)
- V. Tubac has adequate production and storage capacity to serve its existing customers. (See § B of report for discussion and details.)

- VI. Tubac has an approved curtailment tariff. (See § K of report for discussion and details.)
- VII. A check with the Utilities Division Compliance Section showed Tubac has no outstanding compliance issues. (See § E of report for discussion and details.)

For Mohave Wastewater District

- I. The Arizona-American Mohave Wastewater District (“Mohave District”) is in full compliance with ADEQ for operation and maintenance, operator certification and discharge permit limit. (See § E of the report for discussion and details.)
- II. Staff concludes that the Mohave Wastewater District’s treatment plants have adequate capacity to treat its customers. (See § C of the report for discussion and details.)
- III. The Company currently is not in compliance with the reporting requirements of its OFHF Tariff. (See § F of the report for discussion and details.)
- IV. A check with the Utilities Division Compliance Section showed no delinquent compliance items. (See § F of the report for discussion and details.)
- V. The Wishing Well Wastewater Treatment Plant expansion project was completed and in service in summer 2008. The total cost of this project was \$4,276,039. (See § H of the report for discussion and details.)